

CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2011



CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2011

USD 000's

	31 December 2011	31 December 2010
ASSETS		
Balances with banks	3,286	2,672
Placements with financial institutions	10,652	11,267
Investment	112,954	135,396
Investments in associates and joint venture accounted under the equity method	29,474	31,677
Investment property	9,130	9,130
Receivable from investment banking services	6,550	13,837
Funding to project companies	5,839	20,975
Other assets	9,673	11,942
Property and equipment	10,977	12,350
Total assets	198,535	249,246
LIABILITIES		
Islamic financing payables	8,631	44
Employee accruals	6,323	5,785
Other liabilities	3,865	3,715
Total liabilities	18,819	9,544
EQUITY		
Share capital	250,000	250,000
Share premium	28,429	28,429
Unvested shares of employee share ownership plan	(22,764)	(22,764)
Statutory reserve	10,414	10,414
Investment fair value reserve	628	2,229
Employee share ownership plan reserve	5,349	5,064
Accumulated losses	(92,340)	(33,670)
Total equity	179,716	239,702
Total liabilities and equity	198,535	249,246
Off statement of financial position items		
Equity of investment account holders	16,846	16,219

Extracted from the audited consolidated financial statements approved by the Board of Directors on 29 February 2012 and on which Ernst & Young have issued an unqualified report.

Dr. Ghassan Al Sulaiman
Chairman

Abdullatif M. Janahi
Board Member and Chief Executive Officer

CONSOLIDATED STATEMENT OF INCOME

For the year ended 31 December 2011

USD 000's

	31 December 2011	31 December 2010
REVENUE		
Income from investment banking services	2,966	13,249
Finance income	574	863
Other income	2,838	2,300
Total revenue	6,378	16,412
Other gains (losses)		
Loss on investments - net	(14,167)	(13,658)
	(7,789)	2,754
EXPENSES		
Staff costs	8,422	9,890
Travel and business development expenses	766	753
Legal and professional fees	1,435	1,333
Finance expenses	75	254
Depreciation	1,509	1,612
Other expenses	2,323	2,315
Total expenses	14,530	16,157
Loss before impairment allowances and share of loss of associates and joint venture	(22,319)	(13,403)
Impairment allowances	(35,172)	(30,999)
Share of loss of associates and joint venture	(1,179)	(3,200)
Net loss for the year	(58,670)	(47,602)

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2011

USD 000's

	31 December 2011	31 December 2010
Loss for the year	(58,670)	(47,602)
Other comprehensive (loss) income		
Recycling of the gain on sale of available-for-sale investments securities to the consolidated statement of income	(867)	-
Changes in fair value of available-for-sale securities	(734)	733
Other comprehensive (loss) income for the year	(1,601)	733
Total comprehensive loss for the year	(60,271)	(46,869)

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2011

USD 000's

	31 December 2011	31 December 2010
OPERATING ACTIVITIES		
Net loss for the year	(58,670)	(47,602)
Adjustments for non-cash items:		
Loss on investment	14,167	13,658
Share of results of associates and joint venture accounted under the equity method	1,179	3,200
Employee share ownership plan vesting charge	285	853
Impairment allowances	35,172	30,999
Depreciation	1,509	1,612
Operating (loss) profit before changes in operating assets and liabilities	(6,358)	2,720
Changes in operating assets and liabilities:		
Investments	451	(33,128)
Receivable from investment banking services	1,907	(7,661)
Funding to project companies	(6,944)	(16,294)
Other assets	1,804	11,647
Employee accruals	538	18
Other liabilities	150	(5,557)
Net cash used in operating activities	(8,452)	(48,255)
INVESTING ACTIVITIES		
Purchase of property and equipment	(136)	(75)
Purchase of investment in associates and joint venture accounted under the equity method	-	(1,481)
Proceeds from sale of investment property	-	53,874
Net cash from (used in) investing activities	(136)	52,318
FINANCING ACTIVITIES		
Islamic financing payables	8,587	(13,384)
Payable on acquisition of investment property	-	(41,737)
Zakat contribution	-	(79)
Net cash from (used in) financing activities	8,587	(55,200)
Net decrease in cash and cash equivalents	(1)	(51,137)
Cash and cash equivalents at beginning of the year	13,939	65,076
Cash and cash equivalents at end of the year	13,938	13,939
Comprising of:		
Balances with banks	3,286	2,672
Placements with financial institutions	10,652	11,267
	13,938	13,939

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2011

USD 000's

	Share capital	Share premium	Funds received towards capital increase	Unvested ESOP shares	Statutory reserve	Investment fair value reserve	ESOP reserve	Accumulated losses	Total
Balance at 1 January 2011	250,000	28,429	-	(22,764)	10,414	2,229	5,064	(33,670)	239,702
Net loss for the year	-	-	-	-	-	-	-	(58,670)	(58,670)
Other comprehensive loss for the year	-	-	-	-	-	(1,601)	-	-	(1,601)
Total comprehensive loss for the year	-	-	-	-	-	(1,601)	-	(58,670)	(60,271)
Employee share ownership plan vesting charge	-	-	-	-	-	-	285	-	285
Balance at 31 December 2011	250,000	28,429	-	(22,764)	10,414	628	5,349	(92,340)	179,716
Balance at 1 January 2010	173,250	13,533	64,905	(15,000)	10,414	1,496	4,211	32,988	285,797
Issue of share capital	57,773	14,896	(64,905)	(7,764)	-	-	-	-	-
Net loss for the year	-	-	-	-	-	-	-	(47,602)	(47,602)
Other comprehensive income for the year	-	-	-	-	-	733	-	-	733
Total comprehensive income (loss) for the year	-	-	-	-	-	733	-	(47,602)	(46,869)
Bonus shares issued during the year	18,977	-	-	-	-	-	-	(18,977)	-
Zakat contribution	-	-	-	-	-	-	-	(79)	(79)
Employee share ownership plan vesting charge	-	-	-	-	-	-	853	-	853
Balance at 31 December 2010	250,000	28,429	-	(22,764)	10,414	2,229	5,064	(33,670)	239,702

CONSOLIDATED STATEMENT OF CHANGES IN OFF-BALANCE SHEET EQUITY OF ACCOUNT HOLDERS

For the year ended 31 December 2011

USD 000's

2011	Balance as at 1 January	Movements during the year				Balance as at 31 December
		Investment/ withdrawal	Fair value movement/ (impairment)	Gross income	Dividends paid	
GCC Pre-IPO Fund	3,878	(266)	(2)	71	-	3,681
VC Bank investment projects Mudarabah	12,341	-	-	886	(62)	13,165
Balance as at 31 December 2011	16,219	(266)	(2)	957	(62)	16,846
2010						
GCC Pre-IPO Fund	4,471	-	(595)	2	-	3,878
VC Bank investment projects Mudarabah	12,308	-	-	887	(792)	12,341
Balance as at 31 December 2010	16,779	-	(595)	889	(792)	16,219
Investment in equities						
Funds in short term murabaha						
Total						
					2011	2010
					3,679	3,681
					13,167	12,538
					16,846	16,219

The GCC Pre-IPO Fund targets investments in selected GCC equities in the pre-IPO stage with the primary objective of benefiting from the potential market gains expected to arise from their IPO's. Investors nominate the specific equities they wish to participate in from a pool of GCC Pre-IPO equities, specifying the amounts in each, and receive all returns less the Bank's fee of 20% over a 10% simple return.

The VC Bank Investment Projects Mudarabah provides an opportunity for investors to earn attractive returns from providing liquidity financing to selected investment projects from the portfolio of projects promoted by the Bank.